

# APPLYING INDIRECT COST RATES TO FEDERAL PASS THROUGH AND STATE AWARDS

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Indirect Cost Rates

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# Indirect Cost Information

## Welcome

**Indirect Cost Rates-** How to apply indirect cost rates to Federal Pass-through and State of Illinois awards.

### Adobe Connect reminder

- Training seminar will be recorded
- Q & A Pods
- Listen Only Mode
- Handouts and presentation

# Indirect Cost Information

## Terminology Clarifications

### “FEDERAL AWARDING AGENCY”

- 2 CFR 200.37
- A Federal Awarding Agency means the Federal Agency that provides a Federal award directly to a non-federal entity.
- Health and Human Services (HHS), Department of Agriculture , Department of Labor (DOL).

# Indirect Cost Information

## Terminology Clarifications

### “AGENCY”

- State of Illinois Awarding Agency
- A State of Illinois Agency that receives Federal awards directly from Federal Awarding agencies and then passes Federal awards and State awards through to organizations or non-federal entities in the community
- DHS, DCFS, Aging, Agriculture, DCEO, ISBE, DPH, etc.

# Indirect Cost Information

## Terminology Clarifications

### “GRANTEE”

- An organization that receives Federal pass-through and state awards from a State of Illinois awarding Agency.
- Grantee, Organization, Subrecipient, Awardee, Non-federal entity, Provider, Client, Non-profit, Health Department, Charity, Coalition, etc.

# Indirect Cost Information

This training is designed to provide an understanding of how certain indirect cost rates and distribution bases are applied to Federal pass-through and State of Illinois awards

This training is also designed to provide an understanding of Federal restrictions that may prohibit or limit the amount of indirect cost reimbursement.

This particular training will primarily cover issues regarding Indirect Cost Rates for Non-profits

# Indirect Cost Information

## What is an indirect cost rate?

An indirect cost rate is simply a device used for determining the appropriate amount of indirect costs each program should bear.

An indirect cost rate is the ratio between the total indirect expenses and some direct cost base.

$$\frac{\text{Indirect Cost Pool}}{\text{Direct Cost Base}} = \text{Indirect Cost Rate \%}$$

# Indirect Cost Information

## **Why does an organization need an indirect cost rate?**

The OMB Uniform Guidance explicitly requires pass-through entities (typically states and local governments receiving federal funding) and all federal agencies to reimburse a nonprofit's indirect costs by applying the nonprofit's federally negotiated indirect cost rate, if one already exists.

If a negotiated rate does not yet exist, then nonprofits are empowered to request negotiating a rate or elect the default rate or de minimis of 10 percent of their modified total direct costs (MTDC).



# Indirect Cost Information

## **Why does an organization need an indirect cost rate?**

An organization must have a negotiated indirect cost rate or elect to use the Federal 10% de minimis rate in order to be reimbursed for any indirect costs within a program.

# Indirect Cost Information

## **What options are available for a Grantee to receive an Indirect cost rate?**

1. Current Federally Approved Indirect Cost Rate as a result of being a direct “recipient” from a Federal awarding agency
2. Negotiate a rate with the State of Illinois by first submitting an Indirect Cost Rate Proposal (ICRP) to the State of Illinois’ Centralized Indirect Cost Unit
3. Elect to use the Federal 10% “de minimis” rate of Modified Total Direct Cost (MTDC)
4. Use a “restricted” or “special” rate that is statutorily required within program rules.

# Indirect Cost Information

**How can a Grantee claim indirect cost reimbursement while a Indirect Cost rate is be negotiated with the State of Illinois' Centralized Indirect Cost Unit?**

If eligible, the Grantee can elect to use the 10% de minimis rate to claim indirect costs while a proposal is being reviewed and negotiated.

Once a negotiated rate is approved and accepted by both the Grantee and its Cognizant State Agency it can be used immediately and the de minimis rate will be vacated

- ✓ If a Grantee is **NOT** eligible to elect the de minimis rate, the Grantee will not be allowed reimbursement of indirect costs until a State of Illinois Indirect Cost rate is approved.

# Using an Indirect Cost Rate for reimbursement

## Today's Examples

1. Federal NICRA- Provisional 16.90% TDC
2. State NICRA – Provisional 15% SWF
3. De Minimis (MTDC) – 10% (MTDC)
4. Restricted Rate – 8% Administrative

Confused yet?



# Using an Indirect Cost Rate for reimbursement

## **What information does an approved indirect cost rate agreement contain?**

The document reflecting the cognizant agency's approval of a recipient's indirect cost rate will detail:

- The approved indirect cost rate(s), including the type of rate(s), the rate effective period, and distribution base to be used;
- Either an approved fringe benefit rate, or a determination that fringe benefits will be treated as direct and/or indirect costs;
- General terms and conditions; and
- Any special remarks (e.g., composition of the indirect cost pool).

# NICRA Review

- Must have a current “effective period”
- These will be compiled within the State of Illinois’ Centralized Indirect Cost Rate Unit

Mar. 24. 2009 9:42AM DIVISION OF COST ALLOCATION

No. 2270 P. 3/5

## STATE AND LOCAL RATE AGREEMENT

EIN #:

DATE: March 23, 2009

DEPARTMENT/AGENCY:  
Utah Department of Health  
Martha Hughes Cannon Building  
288 North 1460 West  
P.O. Box 144003  
Salt Lake City

UT 84114-4003

FILING REF.: The preceding  
Agreement was dated  
January 29, 2008

The rates approved in this agreement are for use on grants, contracts and other agreements with the Federal Government, subject to the conditions in Section III.

### SECTION I: INDIRECT COST RATES\*

| RATE TYPES: FIXED |                  | FINAL    |          | PROV. (PROVISIONAL) |               | PRED. (PREDETERMINED) |  |
|-------------------|------------------|----------|----------|---------------------|---------------|-----------------------|--|
| TYPE              | EFFECTIVE PERIOD |          | RATE (%) | LOCATIONS           | APPLICABLE TO |                       |  |
|                   | FROM             | TO       |          |                     |               |                       |  |
| FIXED             | 07/01/09         | 06/30/10 | 11.6     | (1) All             | (A)           |                       |  |
| PROV.             | 07/01/10         | 06/30/12 | 11.6     | (1) All             | (A)           |                       |  |
| PRED.             | 07/01/07         | 06/30/10 | 4.2      | (2) All             | (B)           |                       |  |
| PROV.             | 07/01/10         | 06/30/11 | 4.2      | (2) All             | (B)           |                       |  |

(A) All Programs except ED Restricted Programs  
(B) ED Restricted Programs Only

#### \*BASE:

(1) Direct salaries and wages including all fringe benefits.

(2) Total direct costs excluding capital expenditures (buildings, individual items of equipment, alterations and renovations), that portion of each subaward in excess of \$25,000 and flow-through funds.

(1)

G31089

# EXAMPLE – Federally Approved Indirect Cost Rate Agreement

## NONPROFIT RATE AGREEMENT

Healthcare Consortium of Illinois  
1350 East Sibley Blvd, #401  
Dolton, IL 60419-2926

DATE: 04/09/2014  
FILING REF.: The preceding  
agreement was dated  
03/13/2012

The rates approved in this agreement are for use on grants, contracts and other agreements with the Federal Government, subject to the conditions in Section III.

### SECTION I: INDIRECT COST RATES

RATE TYPES:      FIXED              FINAL              PROV. (PROVISIONAL)      PRED. (PREDETERMINED)

#### EFFECTIVE PERIOD

| <u>TYPE</u> | <u>FROM</u> | <u>TO</u>  | <u>RATE(%)</u> | <u>LOCATION</u> | <u>APPLICABLE TO</u> |
|-------------|-------------|------------|----------------|-----------------|----------------------|
| FINAL       | 07/01/2011  | 06/30/2012 | 19.70          | On Site         | All Programs         |
| FINAL       | 07/01/2012  | 06/30/2013 | 16.00          | On Site         | All Programs         |
| PROV.       | 07/01/2013  | 06/30/2015 | 16.00          | On Site         | All Programs         |

#### \*BASE

Total direct costs excluding capital expenditures (buildings, individual items of equipment; alterations and renovations), that portion of each subaward in excess of \$25,000 and flow-through funds.

# EXAMPLE – Federally Approved Indirect Cost Rate Agreement

## \*BASE

Total direct costs excluding capital expenditures (buildings, individual items of equipment ; alterations and renovations), that portion of each subaward in excess of \$25,000 and flow-through funds

## \*BASE

Direct salaries and wages including all fringe benefits

## \*BASE

Total direct costs excluding capital expenditures (buildings, individual items of equipment ; alterations and renovations), that portion of each subaward in excess of \$25,000 and flow-through funds

{\*\*} Direct salaries and wages including vacation, holiday, sick pay and other paid absences but excluding all other fringe benefits.



# EXAMPLE – Federally Approved Indirect Cost Rate Agreement

## \*BASE

Modified total direct costs, consisting of all salaries and wages, fringe benefits, materials, supplies, services, travel and subgrants and subcontracts up to the first \$25,000 of each subgrant and subcontract (regardless of the period covered by the subgrant or subcontract).

Modified total direct costs shall exclude equipment, capital expenditures, charges for patient care, student tuition remission, rental costs of off-site facilities, scholarships and fellowships as well as the portion of each subgrant and subcontract in excess of \$25,000.

MTDC

# Using an Indirect Cost Rate for reimbursement

Once a Grantee has acquired a rate or elected to use the de minimis rate, the Grantee will multiply the rate (%) allowable by the appropriate base.

$\text{Rate} \times \text{Base} = \text{Maximum amount to be reimbursed for indirect costs}$

Example: 15% is the approved rate

Salaries & Wages is the distribution base on which the rate was calculated

$15\% \times \text{Salaries \& Wages for the Program} = \text{amount to be reimbursed}$

# Using an Indirect Cost Rate for reimbursement

**Rate x Base = Maximum amount to be reimbursed for indirect costs**

Example: **15%** is the approved rate

**Salaries & Wages (S & W)** is the distribution base on which the rate is calculated

**Grantee "A" has 3 programs with the State of Illinois**

| Programs  | 15% Rate | Salaries & Wages | Reimbursement per program |
|-----------|----------|------------------|---------------------------|
| Program 1 | 15%      | \$100, 000       | \$15,000                  |
| Program 2 | 15%      | \$50,000         | \$7,500                   |
| Program 3 | 15%      | \$25,000         | \$3,750                   |

# Using an Indirect Cost Rate for reimbursement

**Rate x Base = Maximum amount to be reimbursed for indirect costs**

Example: **12%** is the approved rate

**Total Direct Costs (TDC)** is the distribution base on which the rate is calculated

**Grantee "A" has 3 programs with the State of Illinois**

| Programs  | 12% Rate | Total Direct Costs (TDC) | Reimbursement per program |
|-----------|----------|--------------------------|---------------------------|
| Program 1 | 12%      | \$200,000                | \$24,000                  |
| Program 2 | 12%      | \$150,000                | \$18,000                  |
| Program 3 | 12%      | \$70,000                 | \$8,400                   |

# De Minimis Rate and MDTC

**Rate x Base = Maximum amount to be reimbursed for indirect costs**

**The de minimis rate uses 10% of Modified Total Direct Costs (MTDC)**

Example: **10%** is the approved rate

**MTDC** is the distribution base on which the rate is calculated

Before we see an example using the 10% de minimis rate, let us review what the Modified Total Direct Cost (MTDC) base entails. (200.68)

**NOTE: The de minimis rate can only be applied to the MTDC**

# Steps in calculating the MTDC

- ✓ Identify Direct and Indirect Costs
- ✓ Separate unallowable cost (both direct and indirect)
- ✓ Identify costs that must be excluded from the MTDC base
- ✓ Calculate the MTDC base



**NOTE:** The de minimis rate can only be applied to the MTDC base

# MTDC Calculation (200.68)

## INCLUDED IN THE (MTDC) base:

- Project Personnel Salaries and Wages
- Fringe Benefits
- Materials and Supplies
- Computing Devices with a per unit cost of less than \$5,000 USD
- Vendor Service Contracts/Consultant Fees
- Travel
- Subawards and Subcontracts up to \$25,000 USD (**remainder is exempt from Indirect Cost Rate Calculation**)

NOTE: The de minimis rate can only be applied to the MTDC base

# MTDC Calculation (200.68)

## COSTS TO BE EXCLUDED FROM THE (MTDC) base:

- Individual items of special purpose capital equipment with a per unit cost of \$5,000 or more
- Capital Expenditures (buildings, land, office equipment and furnishings, alterations and renovations; telephone networks, and motor vehicles)
- Rental Fees and Maintenance Costs related to rental property
- Student Tuition Remission and Student Support Costs (student aid, stipends, dependency allowances, scholarships, and fellowships)
- Participant Support Costs
- **That portion of each Subcontract and Subaward exceeding \$25,000 USD (regardless of the period of performance of the Subaward and Subcontract)**



# Example 10% de minimis calculation

| <u>Program A</u>          | <u>Budget</u>    |
|---------------------------|------------------|
| Salaries & Wages          | \$100,000        |
| Fringe Benefits           | \$50,000         |
| Travel                    | \$10,000         |
| Materials & Supplies      | \$20,000         |
| Subaward (1)              | \$100,000        |
| Equipment                 | <u>\$10,000</u>  |
| <b>Total Direct Costs</b> | <b>\$290,000</b> |

**NOTE: The de minimis rate can only be applied to the MTDC base**

# Example 10% de minimis calculation

| <u>Program A</u>                         | <u>Budget</u>    |
|--|------------------|
| Salaries & Wages                         | \$100,000        |
| Fringe Benefits                          | \$50,000         |
| Travel                                   | \$10,000         |
| Materials & Supplies                     | \$20,000         |
| Subaward (1)                             | \$100,000        |
| Equipment                                | <u>\$10,000</u>  |
| <b>Total Direct Costs</b>                | <b>\$290,000</b> |
| Less (Subaward over \$25,000)            | (\$75,000)       |
| Less Equipment                           | (\$10,000)       |
| <b>Modified Total Direct Cost (MTDC)</b> | <b>\$205,000</b> |

**NOTE: The de minimis rate can only be applied to the MTDC base**

# Example 10% de minimis calculation

| <u>Program A</u>                         | <u>Budget</u>    |
|--|------------------|
| Salaries & Wages                         | \$100,000        |
| Fringe Benefits                          | \$50,000         |
| Travel                                   | \$10,000         |
| Materials & Supplies                     | \$20,000         |
| Subaward (1)                             | \$100,000        |
| Equipment                                | <u>\$10,000</u>  |
| <b>Total Direct Costs</b>                | <b>\$290,000</b> |
| Less (Subaward over \$25,000)            | (\$75,000)       |
| Less Equipment                           | (\$10,000)       |
| <b>Modified Total Direct Cost (MTDC)</b> | <b>\$205,000</b> |
| 10% de minimis rate of (MTDC)            | <b>\$20,500</b>  |

**\$20,500** is the maximum amount allowable for indirect costs for the program under the de minimis rule.

Combined approved budget should be:

Total Direct \$290,000  
+ Indirect \$20,500  
\$310,500

**NOTE: The de minimis rate can only be applied to the MTDC base**

# De minimis rate – Subawards

|    | <b>Subawardee<br/>Name</b> | <b>Total Amount<br/>of Subaward</b> | <b>Amount<br/>Spent in FY16</b> | <b>Multi-year<br/>Awards:<br/>FY 16 is year</b> | <b>Allowable as<br/>Direct Costs<br/>under MTDC</b> | <b>Amount to<br/>Exclude</b> |
|----|----------------------------|-------------------------------------|---------------------------------|---|---|------------------------------|
| 1  | Subawardee A               | \$26,000                            | \$26,000                        | 1 of 1  | \$25,000  | \$1,000                      |
| 2  | Subawardee B               | \$25,000                            | 25,000                          | 1 of 1  | 25,000  | 0                            |
| 3  | Subawardee C               | \$100,000                           | 20,000                          | 1 of 5  | 20,000  | 0                            |
| 4  | Subawardee D               | \$75,000                            | 25,000                          | 2 of 3  | 0 *   | 25,000                       |
| 5  | Subawardee E               | \$55,000                            | 55,000                          | 1 of 1  | 25,000  | 30,000                       |
| 6  | Subawardee F               | \$200,000                           | 60,000                          | 1 of 4  | 25,000  | 35,000                       |
| 7  | Subawardee G               | \$15,000                            | 15,000                          | 1 of 1  | 15,000  | 0                            |
| 8  | Subawardee H               | \$10,000                            | 10,000                          | 1 of 1  | 10,000  | 0                            |
| 9  | Subawardee I               | \$45,000                            | 45,000                          | 1 of 1  | 25,000  | 20,000                       |
| 10 | Subawardee J               | \$525,000                           | 105,000                         | 3 of 5  | 0 *   | 105,000                      |
|    |                            |                                     | <u>\$386,000</u>                |   | <u>\$170,000</u>                                    | <u>\$216,000</u>             |

\* Only the first \$25,000 of each subawards is allowable  
(regardless of the period covered by the subawards).


\$386,000


# De minimis rate – Subawards

Therefore the total “Subaward” amount allowable for the 10% de minimis is **\$170,000**. Now apply this to a basic budget that needs to accurately define the MDTC base in order to apply the 10 % de minimis rate.

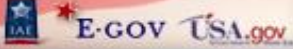
| <b><u>Organization</u></b>                   | <b><u>Budget (FY 16)</u></b> |
|--|------------------------------|
| Salaries & Wages                             | \$100,000                    |
| Fringe Benefits                              | \$50,000                     |
| Travel                                       | \$10,000                     |
| Materials & Supplies                         | \$20,000                     |
| Subaward or Subcontract (10)                 | <b>\$386,000</b>             |
| Equipment                                    | <u>\$10,000</u>              |
| <b>Total Direct Costs</b>                    | <b>\$576,000</b>             |
| Less (Subaward or Subcontract over \$25,000) | <b>(\$216,000)</b>           |
| Less (Equipment)                             | (\$10,000)                   |
| <b>Modified Total Direct Cost (MTDC)</b>     | <b>\$350,000</b>             |
| 10% de minimis rate of (MTDC)                | \$35,000                     |

# Statutory Caps Examples






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[Home](#) [Programs](#) [Agencies](#) [Regional Agency Offices](#) [General Info](#) [Privacy](#)

[Accessibility](#) [User Guide](#)



### Promoting Safe and Stable Families

Number: 93.556  
Agency: Department of Health and Human Services  
Office: Administration for Children and Families

#### Program Information

**Authorization (040):**  
Social Security Act, Title IV, Part B

#### Uses and Use Restrictions (070):

For the main Promoting Safe and Stable Families Formula Grants, a significant portion of funds (approximately 20 percent) must be spent on each of the service categories of family preservation, family support services, time-limited family reunification services and adoption promotion and support services.

**State grantees must limit administrative costs to 10 percent of the Federal funds.**

Caseworker visit formula grants: States and territories are required to spend funds to improve the quality of monthly caseworker visits with children in foster care under the responsibility of the State, with an emphasis on improving caseworker decision making on the safety, permanency, and well-being of foster children, and on activities designed to increase retention, recruitment, and training of caseworkers.

Discretionary Grants: Grants are awarded for research, evaluation and technical assistance activities relating to family support, family preservation, time-limited family reunification and adoption promotion support. Project funds may not be used for construction.

Security/Social Service/Welfare

22-Federally Recognized Indian Tribal Governments/ 46-Income Security/Social Service/Welfare

23-U.S. Territories and possessions (includes institutions of higher education and hospitals)/ 46-Income Security/Social Service/Welfare

36-Private nonprofit institution/organization (includes institutions of higher education and hospitals)/ 46-Income Security/Social Service/Welfare

**Beneficiary Eligibility:**

31 - Individual/Family

**HISTORY**





# Statutory Caps Examples

## Administrative Cost Limitations Narrative

The Head Start Act in Section 644(b) and Head Start regulation 45 CFR 1301.32 limit the amount of funds that may be charged as development and administrative costs to 15 percent of the total costs of the program. However, there are some exceptions. Grantee agencies must have a system in place, including adequate procedures, to ensure that the 15 percent administrative cost limitation requirement is met to avoid non-compliance.

### Overview of Requirements

#### Clarifying Definitions

#### Narrative

#### Audit Requirements

#### Related Links

#### Related DABs

### Overview of Requirements

The **Head Start Act in Section 644 (b)** and Head Start regulation **45 CFR 1301.32** limit the amount of funds that may be charged as development and administrative costs to 15 percent of the total costs of the program unless the Director of the Office of Head Start or the ACF Regional Administrator approves in writing a waiver granting a higher percentage for a specific period of time not to exceed 12 months. These authorized officials, for example, could approve a waiver to limit development and administrative costs to 25 percent for 10 months. Development and administrative costs are herein referred to as "administrative costs."

There can be instances where a grantee agency may be at or below the 15 percent maximum limit and still have excessive administrative costs as judged by the Associate Commissioner of the Head Start Bureau or the Regional Administrator. If this occurs, the grantee agency must eliminate excessive administrative costs.

Unallowable costs must be excluded from any calculation used to determine if the grantee agency met the 15 percent administrative costs requirement.

# Statutory Caps Examples

## NIFA Federal Assistance Programs Indirect Cost Guidance

Indirect costs (otherwise known as facilities and administration costs) may be limited by legislation under NIFA awards. The following chart is to assist in the understanding of the applicable indirect cost rate under NIFA programs. NIFA applicants should follow any indirect cost limitation identified in the applicable request for applications (RFA) and awardees must comply with any indirect cost limitation identified in an award.

| NIFA Program                                     | CFDA # | Legal Authority   | Allowable Indirect Cost   | Indirect Cost Limitation Authority  |
|--|--------|---|---|---|
| 1890 Capacity Building – Teaching & Research     | 10.216 | 7 U.S.C. 3152(b)(4) (§ 1417(b)(4) of the National Agricultural Research, Extension, and Teaching Policy Act of 1977)                  | Not to exceed 30% of awarded Federal funds  | For FY 2016 appropriated funds, § 713 Consolidated Appropriations Act, 2016 (Pub. L. 114-113)   |
| 1890 Facilities Grant Program                    | 10.500 | 7 U.S.C. 3222b (§ 1447 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977)                             | No indirect costs allowed   | 7 U.S.C. 3222b(e) (§1447(e) of the National Agricultural Research, Extension, and Teaching Policy Act of 1977)  |
| 1994 Institutions (Extension Work)               | 10.500 | 7 U.S.C. 301 note (§ 3(b)(3) of the Smith-Lever Act, as added by § 534(b) of the Equity in Educational Land-Grant Status Act of 1994) | No indirect costs allowed   | 7 U.S.C. 3319 (§1473 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977)   |
| AgrAbility                                       | 10.500 | 7 U.S.C. 5933 (§ 3(d) of the Smith-Lever Act (7 U.S.C. 343(d)); § 1680 of the Food, Agriculture, Conservation, and Trade Act of 1990) | No indirect costs allowed   | 7 U.S.C. 3319 (§1473 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977)   |
| Agriculture and Food Research Initiative (AFRI)  | 10.310 | 7 U.S.C. 450i(b) (§ 2(b) of the Competitive, Special, and Facilities Research Grant Act)  | Not to exceed 30% of Federal Funds awarded.<br><br>None, if awarded as an equipment, conference, or post-doc fellowship grant | For FY 2015 appropriated funds, § 713 Consolidated Appropriations Act, 2016 (Pub. L. 114-113)<br><br>For equipment, conference, or post-doc fellowship grants see 7 CFR part 3430, subpart G. |
| Agriculture Risk Management Education Program    | 10.500 | 7 U.S.C. 1524(a)(3) (§ 524(a)(3) of the Federal Crop Insurance Act)   | Not to exceed 30% of Federal Funds Awarded  | For FY 2016 appropriated funds, § 713 Consolidated Appropriations Act, 2016 (Pub. L. 114-113)   |
| Alaskan and Hawaiian Native-Serving Institutions | 10.228 | 7 U.S.C. 3156 (§ 1419B of the National Agricultural Research, Extension, and Teaching Policy Act of 1977)                             | Not to exceed 30% of Federal Funds Awarded  | For FY 2016 appropriated funds, § 713 Consolidated Appropriations Act, 2016 (Pub. L. 114-113)   |



# Statutory Caps Examples

What is the Guiding Principle or General Rule when it comes to statutory restrictions, or caps or limits on indirect cost reimbursement?

?

# Other Limitations – Salary Caps

Other limitations restrictions include **“Salary Caps”**

- Salary Caps limit total amount of salaries allowed to be charged to a grant
- The Salary Cap limitations apply to both Direct and Indirect Costs
- Grant funding may NOT be used to pay an individual working on a grant program at a rate in excess of the Federal Executive Level II Pay Scale
- This amount typically increases annually. Beginning January 10, 2016, the salary rate limitation has increased from \$183,300 to \$185,100 .
- For individuals with salary in excess of the salary cap, payroll costs must be allocated by applying amount of effort committed to the salary cap
- Please refer to the Notice of Funding Opportunity and grant application to determine if your program is subject to a “salary cap”

## Other Limitations – Salary Caps Example

- A staff member whose base salary is \$200,000 receives an award where he/she has proposed 25% of total time
- Payroll expense charged cannot exceed 25% of salary cap of \$185,100 annually
- In this case, the person could not charge payroll expenses to the grant in excess of \$46,275 annually (25% effort x \$185,100). The excess salary costs must be paid from a non-grant source.
- Some grant programs do not allow any of the salary to be charged to the grant, if it exceeds the Salary Cap

# Other Limitations – Salary Caps Example

|  |            |
|--|------------|
| Individual's institutional base salary for a FULL-TIME calendar year appointment                                 | \$ 200,000 |
| Research effort requested in application/proposal - 6 months (50%)   |            |
| Direct Salary requested  | \$ 100,000 |
| Fringe benefits requested (25% of salary)  | \$ 25,000  |
| Subtotal   | \$ 125,000 |
| Applicant organization's F&A (indirect) costs at a rate of 45% of subtotal                                       | \$ 56,250  |
| Amount requested - salary plus fringe benefits plus associated F&A (indirect) costs                              | \$ 181,250 |
| If a grant/contract is to be funded, the amount included for the above individual will be calculated as follows: |            |
| Direct salary - restricted to a RATE of  | \$ 185,100 |
| Divided by 12 months multiplied by 6 months (50%)  | \$ 92,550  |
| Fringe benefits (25% of allowable salary)  | \$ 23,137  |
| Subtotal   | \$ 115,687 |
| Associated F&A (indirect) costs at 45% of subtotal   | \$ 52,059  |
| Total amount to be awarded due to salary limitation  | \$ 167,746 |
| Amount of reduction due to salary limitation   |            |
| (\$181,250 requested minus \$167,746 awarded)  | \$ 13,504  |

## COMPARATIVE COSTS BETWEEN ORGANIZATIONS

| Cost Elements             | Company ABC      | Company XYZ      |
|---------------------------|------------------|------------------|
| Direct Labor              | \$100,000        | \$100,000        |
| Fringe Benefits           | \$ 25,000        | \$ 25,000        |
| Subtotal                  | \$125,000        | \$125,000        |
| Travel/Per Diem           | \$ 80,000        | \$ 80,000        |
| Other Direct Cost         | \$200,000        | \$200,000        |
| Equipment                 | \$ 40,000        | \$ 40,000        |
| Subcontracts              | \$ 50,000        | \$ 50,000        |
| Total Direct Program Cost | <u>\$495,000</u> | <u>\$495,000</u> |
| Indirect Cost             |                  |                  |
| at 75%                    | \$ 75,000        |                  |
| at 25%                    |                  | \$123,750        |
| Total Cost                | \$570,000        | \$618,750        |

Company ABC's rate applies to direct labor

Company XYZ's rate applies to total direct costs

As can be seen in this comparison, the lowest rate does not necessarily result in the lowest indirect costs applicable to an award.

# Fiscal Review

## Section A- Indirect Cost Information

|  |   |  |
|--|---|--|
| Basic Negotiated Indirect Cost Rate Agreement<br>information if Option (1) or (2a) is selected | Period Covered by the NICRA: From: 1/1/16 To: 1/1/18 (mm/dd/yyyy)                                   |  |
|  | Approving Federal/State agency (please specify): Dept of Navy                                       |  |
|  | The Indirect Cost Rate is ( 12.5 %) The Distribution Base is: (Salries & Wages and Fringe Benefits) |  |

## Section A- State of Illinois Funds

|   |         |    |        |
|---|---------|----|--------|
| 17. Indirect Costs* (see below)         | 200.414 | \$ | 11,363 |
| Rate: 12.5 % Base: S&W +Fringe Benefits |         |    |        |

# Types of negotiated rates

Please refer to the Dept. of Labor Indirect Cost Determination Guide provided as a handout for more information regarding types of indirect cost rates including:

1. Provisional rate or billing rate
2. Final rate
3. Predetermined Rate
4. Fixed Rates with carry-forward
5. De Minimis

## Frequently Asked Questions

**Do organizations electing to use the De Minimis have to certify with the State of Illinois?**

Yes. A certification form will be available through the State of Illinois' Centralized Indirect Cost Rate Unit.

Where:

When:



# Frequently Asked Questions

## Program Specific Questions

Indirect cost reimbursement on ED training grants is limited to the grantee's actual indirect costs as determined by the grantee's negotiated indirect cost rate agreement or 8% of a modified total direct cost base, **whichever is less**. Indirect costs in excess of the 8% limit may not be charged directly, used to satisfy matching or cost-sharing requirements, or charged to another Federal award.

# Frequently Asked Questions

**Can an applicant/Subrecipient apply their indirect cost rate to the cost-sharing portion of the project budget?**

Yes, unless otherwise prohibited under program legislation or regulation. However, recipients may only charge to the Federal award the indirect costs calculated against the direct costs charged to the Federal award.

Recipients may not charge to Service awards any indirect costs calculated against:

- 1) any portion of the recipient's direct costs; or
- 2) any portion of the direct costs being charged to any other Federal or non-Federal project partner.

# Frequently Asked Questions

## **When must recipients submit their indirect cost rate proposal?**

A recipient must submit an indirect cost rate proposal:

1. Immediately after being advised in writing that a Federal award will be made, and no later than 90 calendar days of the date the award is made; and then
2. Within six months of the end of the recipient's fiscal year on an annual basis for the life of the Federal award.

# Frequently Asked Questions

**We have had for several years a Federally Approved Cost Allocation Plan. Must we switch now to a RATE instead of a CAP? We are a Non-profit entity.**

Response – No. Note that Appendix IV of 2 CFR Part 200 is “silent” on cost allocation plans (CAPs) for nonprofits. This office has approved CAPs to certain nonprofits based on the proposal submitted, specific funding, and the way they allocate costs. Those nonprofits may continue to use their Federally approved CAPs to allocate indirect costs. In the future, however, those nonprofits may consider moving into a rate methodology to allocate costs as this is typical for nonprofits and Federal funding agencies expect to see rate support from these entities.

From the Department of Labor

## Frequently Asked Questions

**Can multi funded non-federal organizations charge indirect costs without an approved indirect cost rate if it instead has an approved cost allocation plan?**

Response – Yes, with a Federally approved cost allocation plan. Most nonprofits, however, should be using a rate methodology to support their indirect costs.

From the Department of Labor

# Indirect Cost Rate and Budget Template

Questions

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